



NATIONAL ENDOWMENT FOR THE
Humanities

OFFICE OF INSPECTOR GENERAL

LIMITED AUDIT REPORT
NEH GRANT AWARD
TO
UNIVERSITY OF CHICAGO
(PF-50089-10)
OIG-15-01 (EA)

Laura Davis

Laura Davis, Inspector General

July 14, 2015

Date

NATIONAL ENDOWMENT FOR THE HUMANITIES (NEH)

GRANT AWARD TO

UNIVERSITY OF CHICAGO

I. INTRODUCTION

The Office of Inspector General (OIG) has completed a limited audit of grant PF-50089-10 awarded to the University of Chicago.

Amount Awarded: \$306,507

Grant Period: September 1, 2010 – September 30, 2013

Grant Expenditures: As noted below, the intent of the grant award was to support the rehousing of a collection of ancient metal artifacts. The final financial report submitted to the NEH, dated March 6, 2014, certified Federal expenditures of \$306,507 and reported cost-share of \$331,243, resulting in total project expenditures of \$637,750. The final financial report conveys that the related expenditures conform to the intended grant purpose, as stipulated by the individual NEH grant award.

II. BACKGROUND

The University of Chicago's Oriental Institute Museum is devoted to the study of the civilizations and cultures of the ancient Near East. It is the repository for more than 197,000 registered artifacts including significant holdings from Egypt, the Levant, Mesopotamia, Anatolia, and Persia. The Institute houses over 10,000 excavated metal artifacts dating from early Bronze Age through the Islamic period.

The NEH grant award was made to support rehousing of the Oriental Institute Museum's collection of ancient metal artifacts in modern, museum-quality cabinets.

III. LIMITED AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The principle objectives of the limited audit were to determine whether (1) grant expenditures were made in accordance with applicable provisions of NEH's *General Terms and Conditions for Awards to Organizations* (May 2009), and the terms of the approved grant award; and (2) proper controls over the use of Federal funds existed in accordance with minimum standards prescribed in OMB Circulars A-110 (2 CFR Part 215) and A-21 (2 CFR Part 220).

To accomplish the objectives, we reconciled the final Federal Financial Report (SF-425), as submitted by the University on March 6, 2014, to the General Ledger (G/L) detail for the grant project. For expenditure testing, we selected twenty-eight (28) transactions made during fiscal years 2011 and 2012, totaling \$201,245 (which represents approximately 31 percent of the total project expenditures). For payroll testing, we selected fiscal year 2012 payroll transactions related to six (6) individuals associated with the project, totaling

\$83,987, (approximately 13 percent of the total project expenditures). We reviewed supporting documentation for the selected transactions to determine whether the expenditures (1) conformed with OMB Circular A-21, *Cost Principles for Educational Institutions*, the NEH *General Terms and Conditions for Awards* (May 2009), and the terms of the approved grant award; and (2) were consistent with activities identified in Performance Reports submitted by the University.

We conducted this limited audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) as promulgated by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork for this limited audit was performed from April 2014 to May 2014.

IV. RESULTS OF LIMITED AUDIT

According to the final Performance Report submitted by the University, the NEH-funded grant project entitled, *Rehousing Metal Artifacts of the Oriental Institute* officially concluded on September 30, 2013. During the term of the grant, the metals collection of the Oriental Institute (11,028 objects) was surveyed, photographed, and rehoused in the Institute's climate-controlled metals room. The University certified total Federal expenditures related to the project in the amount of \$306,507. Our limited audit identified questioned costs totaling \$6,172, as discussed below.

A. Questioned Costs

The Inspector General Act defines questioned costs as:

- Costs that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or document governing expenditure of funds;
 - A finding that, at the time of the audit, such cost is not supported by adequate documentation; or
 - A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.
1. During the course of our testing, we noted purchases of the following supplies towards the end of the NEH grant period, totaling \$5,172. Though the subject items were included in the project budget approved by the NEH, it does not appear that the purchased supplies were used during the project performance period.
 - a. Nitrile Gloves, (\$1,292). Our review of the supporting invoice associated with the purchase of 80 packs of nitrile gloves (various sizes) found that the order was made on September 30, 2013, which is the last day of the NEH award performance period.
 - b. Poly Boxes, (\$3,455). According to the supporting documentation provided during our limited audit, a large order of boxes, lids, and tying tape was invoiced and shipped on October 2, 2013, after the NEH award performance period.

- c. Macro Lens for Canon SLR Cameras and a Super Multi-Coated Slim Frame Glass Filter, (\$425). According to the supporting documentation provided during our limited audit, a camera lens and filter were ordered on September 25, 2013, towards the very end of the NEH award performance period. Additionally, the supporting Expense Report identifies this purchase as being associated with a “Macro Lens Metals Grant”, used for “the IMLS Metals rehousing grant” (Business Purpose). The timing of this purchase and the documented purpose raises doubt as to the allocability and reasonableness of this transaction to the NEH grant award.

OMB Circular A-21, *Cost Principles for Educational Institutions*, provides that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with the relative benefits received or other equitable relationship¹. The Circular further provides that costs for materials, supplies, and fabricated parts necessary to carry out a sponsored agreement are allowable; however, only materials and supplies actually used for the performance of a sponsored agreement may be charged as direct costs. Purchased materials and supplies shall be charged at their actual prices, net applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied².

2. We also identified relocation costs that were charged to the NEH award in the amount of \$1,000. These costs are associated with the recruitment of the contract Conservator for the project. The NEH-approved budget for the project does not include a provision for relocation/moving expenses. In addition, interim communications from the grantee to the NEH concerning the project’s status do not address the impact of the relocation costs to the NEH-approved budget. Since relocation costs are not specifically identified within the NEH-approved budget, we question the costs as a direct charge to the grant award.

Recommendation A

We recommend that the University of Chicago return questioned costs of \$6,172 to the NEH.

SUMMARY OF GRANTEE’S RESPONSE (RECOMMENDATION A)

1. The University provided the following explanations concerning the questioned purchases charged to the NEH award:
 - a. Nitrile Gloves, (\$1,292). The purchase was to replenish supplies from the departmental stock room during the life of the award to support the project work.
 - b. Poly Boxes, (\$3,455). The purchase was to replenish supplies from the departmental stock room during the life of the award to support the project work.
 - c. Macro Lens for Canon SLR Cameras and a Super Multi-Coated Slim Frame Glass Filter, (\$425). The lens was mistakenly identified as a purchase for an “IMLS” metals rehousing project. The purchase was made near the end of the NEH award period to complete necessary project tasks. Specifically, the lens was purchased for the smaller objects, as the previously purchased lens did not produce an adequate image and was better suited for larger items.

¹ OMB Circular A-21, Paragraph C.4.a

² OMB Circular A-21, Paragraph J.31

2. Relocation costs: The conservator was hired at a rate of pay lower than expected, as compared to the original budget estimate for this role on the project. Relocation support was provided as compensation to the conservator utilizing the available salary budget.

The University subsequently provided a copy of the offer letter that documents acceptance by the individual identified as the “Contract Conservator” of the employment offer related to the two year NEH-funded metals rehousing project. The \$1,000 relocation benefit was included in the offer letter.

OIG EVALUATION OF GRANTEE’S RESPONSE (RECOMMENDATION A)

The OIG accepts the University’s explanation and additional documentation supporting allocability of the macro lens purchase (\$425) and the relocation cost (\$1,000) to the award.

Concerning the purchases made to replenish supplies from the departmental stockroom, we ascertained through subsequent communication with the Executive Director- Sponsored Award Accounting, that the University does not have a formal stockroom and inventory system for project supplies. If a unit has existing supplies that can be utilized for a project, they will use those supplies and replenish the used supplies with the same or comparable supplies. Since a tracking system is not maintained for stock supplies, we are unable to substantiate the cost of the supplies actually used for the NEH-supported project, pursuant to the requirements established by OMB Circular A-21, *Cost Principles for Educational Institutions*. Therefore, we retain our original recommendation concerning the related purchases.

Revised Recommendation A (Based on the OIG Evaluation of the Grantee’s Response)

We recommend that the University return \$4,747 to the NEH, which represents charges to the NEH award for purchases intended to replenish supplies used during performance of the NEH-supported project.

B. Late Report Submissions

We found that NEH-required financial and performance reports were consistently submitted past the respective due dates. The University allows for a period of “trailing transactions” in their financial management system, where expenditures incurred during the award period are posted to the general ledger after the award period end date. Due to this process, the final Federal Financial Report (SF-425) for grant PF-50089-10 was submitted to the NEH on March 6, 2014 (due December 31, 2013). According to the NEH award notice, grantees have a period of 90 days after the award end date to submit the final financial and performance reports. We determined that the 90-day timeframe following the award period should provide sufficient time for closing out any unresolved issues.

Recommendation B

We recommend that the University assess current project close-out procedures and implement measures to avoid late submission of required Federal reports.

SUMMARY OF GRANTEE'S RESPONSE (RECOMMENDATION B)

The University accepts the recommendation. Refining procedures to avoid late Federal reports is a continuous focus at the University.

C. Institutional Grant Administrator Assignment

The University's Financial Services department is responsible for submitting all interim and final financial reports; which explains why an individual other than the Institutional Grant Administrator identified to the NEH certified the final Federal Financial Report. According to the University's procedures, Financial Services is also responsible for conducting reviews to ensure that reported expenditures are authorized and allowable under the terms and conditions of awards and are in accordance with University and sponsor policy. These responsibilities closely align with the responsibilities of an Institutional Grant Administrator, as described in the NEH *General Terms and Conditions for Awards* (May 2009 or later)³.

NEH communications with grant recipients concerning reporting issues (performance and financial), are generally sent to the Project Director and Institutional Grant Administrator, as identified to the Agency by the respective recipient organization. Assigning the role of Institutional Grant Administrator to the individual responsible for submitting required financial reports would ensure that NEH communications to the University concerning financial reporting are properly received and addressed.

Recommendation C

We recommend that the University consider assigning the role of Institutional Grant Administrator to the individual within the Financial Services department responsible for submitting financial reports to the NEH and ensuring that reported expenditures are allowable under the terms and conditions of the NEH award.

SUMMARY OF GRANTEE'S RESPONSE (RECOMMENDATION C)

The University is unable to assign the role of Institutional Grant Administrator to the individual within the Financial Services department responsible for submitting financial reports. At the University, the Institutional Official is designated by the Secretary of the University and is currently the Associate Vice-President for Research Administration and Director of University Research Administration.

OIG EVALUATION OF GRANTEE'S RESPONSE (RECOMMENDATION C)

The OIG accepts the University's response and considers this recommendation resolved.

V. EXIT CONFERENCE

Preliminary results of the review were shared with [REDACTED], Executive Director of Financial Services, Sponsored Award Accounting on May 6, 2014. We issued our

³ An Institutional Grant Administrator is described as the member of the recipient organization who has the official responsibility for administering the award, (e.g., negotiating budget revisions, overseeing the submission of required reports, and ensuring compliance with the terms and conditions of the award).

limited audit report to the University on June 1, 2015. The University provided the OIG with a formal response to the report on June 24, 2015. A complete copy of this correspondence is attached.

GRANTEE RESPONSE TO AUDIT REPORT

June 24, 2015

National Endowment for the Humanities
Office of Inspector General
400 7th Street, SW
Washington, DC 20506
ATTN: Audit Resolution Section

RE: Limited Audit Report – University of Chicago
NEH Grant PF-50089-10 [OIG-15-01 (ES)]

To whom it may concern:

On behalf of the University, please consider this response to the above referenced Limited Audit Report dated June 1, 2015 (Attachment 1). Our response is organized by section consistent with the Limited Audit Report.

A. Questioned Costs

1. Costs questioned related to the period of performance:
 - a. Nitrile Gloves, (\$1,292): The purchase was to replenish supplies from the departmental stock room during the life of the award to support the project work.
 - b. Poly Boxes, (\$3,455): The purchase was to replenish supplies from the departmental stock room during the life of the award to support the project work.
 - c. Macro Lens for Canon SLR Cameras and a Super Multi-Coated Slime Frame Glass Filter, (\$425): The lens was purchased for the award purpose to rehouse metals but it was found that an administrator mistakenly identified the purchase for a “IMLS” metals rehousing project. The University did not have IMLS funds to support this project at the time of the purchase. This purchase was made near the end of the award to complete the necessary project tasks. Specifically, the Marco Lens was purchased for the smaller objects as the previously purchased lens did not produce an adequate image and was better suited for larger items. The Macro Lens was used to redo the images of the smaller objects and to photograph newer items.
2. Relocations costs of \$1,000 questioned: The conservator hired to support this project full-time was hired at a rate of pay lower than expected as compared to the original budget estimate for this role on the project. Relocation support totaling \$1,000 was provided as compensation to the conservator to support her move to the Chicago area utilizing available salary budget. Therefore, a budget reallocation request was not required. Further, OMB Circular A-21, Paragraph J.42. and the University allows for the reimbursement of relocation costs as a recruitment activity.

B. Late Report Submissions

This audit is for an award that expired in 2013 with a report also due in 2013. However, we accept your recommendation to assess our current project close-out procedures and implement measures to avoid late submissions of required Federal reports. This is a continuous focus at the University and we will continue to refine our procedures to avoid late Federal reports. We have been successful as demonstrated by our latest OMB Circular A-133 audit results and other federal and non-federal audits.

C. Institutional Grant Administrator Assignment

We are unable to implement your recommendation to assign the role of Institutional Grant Administrator to the individual within the Financial Services department responsible for submitting financial reports. Per NEH *General Terms and Conditions for Awards*, the definition of an Institutional Grant Administrator has a broader scope of responsibilities beyond that of sponsor-required financial reports. The role is described as the "...member of the recipient organization who has the official responsibility for administering the award, for example, for negotiating budget revisions, overseeing the submission of required reports, and ensuring compliance with the terms and conditions of the award." At the University of Chicago, the Institutional Official is designated by the Secretary of the University and is currently [REDACTED] [REDACTED] Associate Vice-President for Research Administration and Director of University Research Administration (Attachment 2).

We appreciate the opportunity to respond to this Limited Audit Report and can provide additional information as requested. Please contact me at mbr1@uchicago.edu or at 773-702-2398 if you need additional support as you consider this response.

Sincerely,



[REDACTED]
Executive Director
Sponsored Award Accounting

Attachments

xc: [REDACTED], Principal Investigator, Oriental Institute, University of Chicago
En Tang, Auditor, Office of the Inspector General, National Endowment for the Humanities